

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

INFO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY BONN

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LONDON FOR DEP ASST SECY ATWOOD

E.O. 11652: N/A

TAGS: EAIR, FR

SUBJECT: CIVAIR - PAN AM CHANGE OF GAUGE

REF: PARIS 19657

1. FRENCH EMBASSY DELIVERED AIDE MEMOIRE TO DEPT ON
JUNE 21 RESPONDING TO FORMULA SUGGESTED BY ATWOOD ON
JUNE 16 (STATE 152847 AND 154059). AIDE MEMOIRE CHARACTER-
IZES ATWOOD PROPOSAL AS FOLLOWS: "THE FRENCH AUTHORITIES
WOULD ACCEPT BY JULY 8 THE ARBITRATION COMPROMIS PROPOSED
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BY STATE DEPT AND WOULD ANNOUNCE THAT THEY WOULD REMOVE THE
RESTRICTIONS ON PAN AM FROM THE BEGINNING OF THE ARBITRA-
TION, THAT IS TO SAY IN THE FIRST DAYS OF AUGUST. FOR
THEIR PART THE AMERICAN AUTHORITIES WOULD NOT APPLY PART
213. PAN AM COULD THEN OPERATE ITS SERVICE WITH CHANGE OF
GAUGE PROVISIONALLY UNTIL ARBITRAL DECISION IS REACHED."
AIDE MEMOIRE CONTINUES THAT THE ATWOOD PROPOSAL APPEARS

INTERESTING TO THE FRENCH AUTHORITIES AS ESTABLISHING AN EQUILIBRIUM BETWEEN THE POSITIONS MAINTAINED BY EACH PARTY AND THAT THEY ARE THEREFORE DISPOSED TO NEGOTIATE THE ARBITRATION COMPROMIS. NOTE PROPOSES USDEL VISIT PARIS JUNE 28 OR 29 OR ALTERNATIVELY JULY 3 TO NEGOTIATE COMPROMISE.

2. FRENCH AIDE MEMOIRE MISSTATES ATWOOD FORMULA IN THAT LATTER ENVISIONED THAT PAN AM WOULD OPERATE WITH CHANGE OF GAUGE BEGINNING ABOUT JULY 8, RATHER THAN FROM EARLY AUGUST. THERE IS MORE THAN A TIMING DIFFERENCE INVOLVED SINCE FRENCH CHARACTERIZATION WOULD HAVE US NOT APPLY PART 213 AGAINST AIR FRANCE FROM JULY 12 AND WOULD CONTINUE KEEP PAN AM OUT OF MARKET DURING CRITICAL SUMMER MONTHS. WE FORESEE THAT IF NEGOTIATION OF COMPROMIS IS HELD WITHOUT RESOLUTION OF THE PAN AM/AIR FRANCE OPERATIONS QUESTION, FRENCH WILL INSIST THAT US RIGHT TO TAKE PART 213 ACTION BE ONE OF THE ISSUES SUBMITTED TO ARBITRATION. THIS WOULD UNNECESSARILY COMPLICATE SITUATION AND INCREASE POSSIBILITY OF NOT REACHING ARBITRATION COMPROMIS. FOR THESE REASONS, IT IS IMPORTANT THAT WE TRY TO PERSUADE FRENCH TO RESOLVE THE PAN AM/AIR FRANCE OPERATIONS QUESTION ALONG THE LINES OF THE ATWOOD PROPOSAL BEFORE NEGOTIATIONS FOR THE COMPROMIS ARE HELD.

3. ACCORDINGLY, EMBASSY REQUESTED AT SENIOR LEVEL TO APPROACH FRENCH OFFICIALS ALONG FOLLOWING LINES:
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A. FRENCH AUTHORITIES MAY HAVE MISUNDERSTOOD SUGGESTION MADE BY ATWOOD.

B. THE JULY 8 DATE FOR COMMENCEMENT OF PAN AM'S CHANGE OF GAUGE OPERATIONS IS CRITICAL TO SOLUTION FOR SEVERAL REASONS. FIRST, THIS DATE REPRESENTS ONE-HALF THE PERIOD OF TIME BETWEEN MAY 1 WHEN PAN AM SERVICE WOULD HAVE BEGUN AND EXPECTED COMPLETION OF ARBITRATION. SECOND, USG CANNOT BE EXPECTED TO WITHDRAW PART 213 ORDER WHILE PAN AM IS STILL NOT OPERATING WITH CHANGE OF GAUGE VIA LONDON. AND LASTLY, DEFERRING INSTITUTION OF PAN AM SERVICE UNTIL AUGUST DEPRIVES PAN AM OF SIGNIFICANT PART OF SUMMER SEASON WHILE AIR FRANCE WOULD SUFFER NO DISRUPTION OF ITS MARKETING ACTIVITIES.

C. IF ISSUE OF PAN AM AND AIR FRANCE OPERATIONS CANNOT BE RESOLVED QUICKLY, NEGOTIATION OF ARBITRATION COMPROMIS LIKELY TO BE UNNECESSARILY COMPLICATED BY PART 213 ISSUE. THIS CAN BE AVOIDED IF FRENCH ALLOW PAN AM TO BEGIN ITS OPERATIONS ABOUT JULY 8.

D. IF FRENCH WILL AGREE TO ATWOOD PROPOSAL, USDEL LED BY
LEE MARKS PREPARED NEGOTIATE COMPROMIS IN PARIS BEGINNING
AFTERNOON JUNE 28 AND CONTINUING ON JUNE 29 IF NECESSARY.

4. IF IT IS NOT POSSIBLE TO RESOLVE PAN AM/AIR FRANCE
OPERATIONS QUESTION IN NEXT FEW DAYS, US WILL NOT REFUSE TO
ATTEMPT NEGOTIATE COMPROMIS, BUT IT IS QUESTIONABLE WHETHER

EXERCISE WOULD BE WORTHWHILE. DEPT THEREFORE WISHES TO
PRESS FOR PRIOR RESOLUTION OF OPERATIONS QUESTION, WITHOUT
ACTUALLY REFUSING TO NEGOTIATE COMPROMIS IF THERE IS NO
PRIOR RESOLUTION. VANCE

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